



### Product Profile

Fund Name	cominvest Emerging Market Bonds P
ISIN	DE009769646
Investment universe	Emerging Market Debt
Benchmark	JPM USD EMBIG Diversified – Euro Hedged
Base Currency	EUR
Earnings	Distribution
Inception date	14/08/96
Fund Volume	EUR 102.81 m (per 30. Sept. 2007)
Management Fee	1.15 % p.a.
TER	1.21 % p.a.
Fund Manager	Klaus Röttger, CEFA; Dr. Harald Eggerstedt
Company	cominvest Asset Management
Internet	<a href="http://www.cominvest.de">www.cominvest.de</a>

### Investor's Profile

Investment horizon	long-term
Risk classification	compared to fixed-income funds: high
Return expectations	aim: higher returns than funds with investment-grade bonds
Loss Tolerance	short-losses are possible

## TELOS Comment

The fund *cominvest Emerging Market Bonds* is a fixed-income fund with its investment universe focused on emerging markets bonds of low credit rating denominated in Dollar or Euro. As substitute or complement, corporate bonds of these countries can be purchased. For a short time, a further diversification of the portfolio can be achieved by taking positions in local currencies of the emerging markets. The relative proportion of these issues is currently still low but supposed to be increased, with the aim of profiting from an appreciation of these currencies.

The well-structured investment process consists of three stages where both a quantitative scoring is carried out and qualitative aspects are taken into account. Economic research and evaluations have high significance in all stages of the process. Relative value considerations are relevant for the security selection. To profit from misvaluations, a timely trading of the fund management is necessary. Therefore, and also due to the low liquidity of most emerging markets bonds, a large part of the trades are carried out by the fund manager. The research focus is on primary research. Direct contact with issuers takes place through their regular visits in Frankfurt. Secondary research sources are drawn on to challenge

and thus further strengthen proprietary results. Well-established risk models and systems allow the fund management to take risk aspects into account while constructing the portfolio. Risk controlling is predominantly performed through the tracking error and by fixing minimum and average ratings as well as through cash holdings. An ex-post risk control as well as the monitoring of compliance with investment restrictions is performed by independent units. For about one year an attribution-analysis-system has been utilised with the intention to better identify performance contributions. This analysis system is in the process of further refinement. The risk budget (tracking error) is currently not fully utilised.

The investment team is characterized by high stability and has at its disposal qualified members who have been working at the company for several years. They complement each other very well in respect of their specific experience and expertise in emerging markets. The fund *cominvest Emerging Market Bonds* has been evaluated as **AA+** which is in parts due to the clearly structured investment process. This implies that the rating mark received remains unchanged from last year.



AA+  
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## Investment Process

The cominvest Emerging Market Bonds is managed by cominvest Asset Management GmbH in Frankfurt, a subsidiary of Commerzbank AG, also located in Frankfurt. The whole four-strong emerging market debt team is involved in the investment process. The fund manager, *Klaus Röttger*, is accountable for the investment decision.

The investment universe is mainly composed of Euro- and Dollar-denominated bonds of emerging economies with a credit rating outside the investment grade range. However, the minimum rating is defined to be B-. As a substitute, corporate bonds and state-related entities of comparable rating can be purchased. Positions in local currencies have been taken by a limited amount. In the longer-term, the relative proportion of these issues is supposed to be increased up to 10%. Hard currencies are generally hedged against the Euro.

The foundation of the investment philosophy is the view, that the efficiency of markets for emerging markets bonds is limited and that they show different liquidity conditions as well as time lags in the information processing. From these inefficiencies and by making use of systematic processes and an adequate risk budget a performance of 2% p.a. above benchmark is to be generated.

The first step of a three-stage investment process includes the strategic alignment of the fund with

respect to duration and currency as well as the positioning in the credit cycle. Among others, the global interest rate development, liquidity and risk aversion as well as spreads relative to high yield corporate bonds are considered. The second step starts with conducting the strategic country allocation. This takes place through a quantitative scoring based on economic indicators and forecast values, but also proprietary expectations. In addition, the tactical country positioning is carried out taking into account qualitative and quantitative aspects. The third step of the investment process covers the securities selection based on relative value analyses and the estimation of changes in the spread curve. Deviations from the spread curve serve as buy or sell signals. Furthermore, issues-specific characteristics are taken into account.

The fund invests on average in 40 to 45 securities. Cash holdings are drawn on as a strategic instrument for risk management. The tracking error is high in comparison and is allowed to reach 6.5%.

Because of the low liquidity in emerging markets bonds trading is mainly done by the fund management. Other orders are entered in the front-office system, from where they are routed to a specialised-bond-trading desk. A team of six traders is responsible for implementing them according to best execution principles.

## Quality Management

The Risk- and Investment Controlling department, which is organisationally independent, is responsible for risk budgeting and control. The risk profile is monitored daily by means of a multi-asset-class risk management system. In addition, the fund's performance is calculated on a daily basis and compared to a benchmark as well as to a peer group. Further, performance and risk are also supervised by

respective committees.

The working group Fund Controlling Institutional is responsible for the monitoring of compliance with investment restrictions and other limitations. The price quality of brokers is also monitored continuously, the results play an important role in the regular review of the broker list.

## Team

The fund has been managed by *Klaus Röttger* since its inception in 1996. The substitute fund manager is *Dr. Harald Eggerstedt* who has special expertise in the emerging markets area due to his previous work at the World Bank.

The emerging markets team has been working together for six years. The average investment experi-

ence is more than 17 years. Almost all team members dispose of university degrees and the majority have additional qualifications such as CEFA.

Apart from a base salary in line with market conditions, employees receive a bonus payment depending on performance and risk.



## Investment Characteristics

Important external factors	Important control factors
Commodity Prices	Asset selection, country allocation
Liquidity	Maturity allocation
Economic environment	Asset weighting
Short term interest rates (level)	Cash Holding
Country Risk	-

## Product History

### Monthly Returns

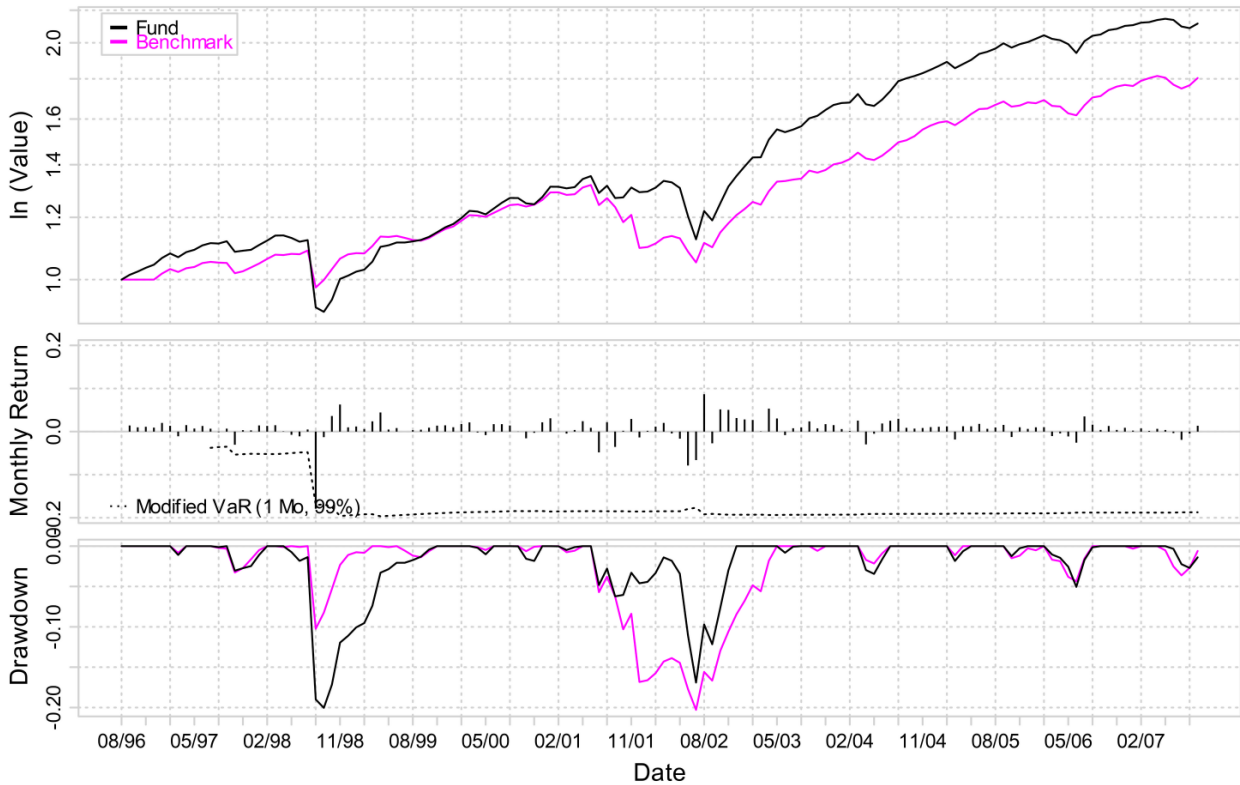
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Jan	NA	2	1.4	1.2	1	3.1	0.2	2.8	0.6	1.1	1	0.2
Feb	NA	1.3	1.3	0.6	1.7	0	1.1	2.7	0.1	1.2	1	0.7
Mar	NA	-1.1	1.5	2.4	2.1	-0.5	2	0	2.5	-1.8	-1	0.2
Apr	NA	1.5	0	4.4	-0.2	0.4	-0.4	5.3	-3	1.2	-0.4	0.6
May	NA	0.7	-0.7	0.5	-0.8	2.4	-1.6	3	-0.5	1.2	-1.1	0.4
Jun	NA	1.3	-1.1	0.8	1.7	0.9	-7.9	-0.8	1.9	1.8	-2.6	-0.3
Jul	NA	0.7	0.5	0	1.7	-4.8	-6.6	0.8	2.5	0.6	3.5	-1.9
Aug	0	-0.1	-17.9	0.3	1.4	2.2	8.7	1	3	0.9	1.6	-0.5
Sep	1.4	0.7	-1.3	0.4	0	-3.5	-2.7	2.4	0.9	1.5	0.4	1.3
Oct	1	-3	3.6	0.9	-1.5	0.2	5.1	0.7	0.7	-1.2	1.3	NA
Nov	1.1	0.3	6.3	1.4	-0.3	2.9	5	1.7	0.8	1	0.4	NA
Dec	0.9	0.3	1	1.4	2.1	-1.3	3.1	1.5	1	0.6	0.9	NA
Fund	4.5	4.5	-7.3	15.2	9.3	1.4	4.9	23.1	10.9	8.4	4.9	0.7
Benchmark	0	3.6	3.9	7.7	8.9	-13.1	10.1	16	12.1	7	5.2	2.1

Statistics per end of Sep 07	1 year	2 years	3 years	5 years	7 years	10 years
Performance (annualised)	3.26%	2.93%	5.49%	12.21%	7.57%	6.58%
Volatility (annualised)	2.93%	4.30%	4.05%	5.69%	8.07%	9.45%
Sharpe-Ratio	-0.25	-0.25	0.37	1.44	0.44	0.27
Best monthly result	1.35%	3.51%	3.51%	5.32%	8.66%	8.66%
Worst monthly result	-1.91%	-2.56%	-2.56%	-2.96%	-7.87%	-17.88%
Median of monthly results	0.36%	0.37%	0.70%	0.91%	0.79%	0.82%
Best 12-month result		10.16%	10.79%	34.82%	37.90%	37.90%
Worst 12 month result		2.26%	0.27%	0.27%	-12.70%	-18.66%
Median of 12-month results		4.59%	5.02%	8.97%	7.85%	8.42%
Maximum loss period	4 M	6 M	6 M	6 M	17 M	18 M
Maximum loss	-2.70%	-5.05%	-5.05%	-5.05%	-16.90%	-20.04%

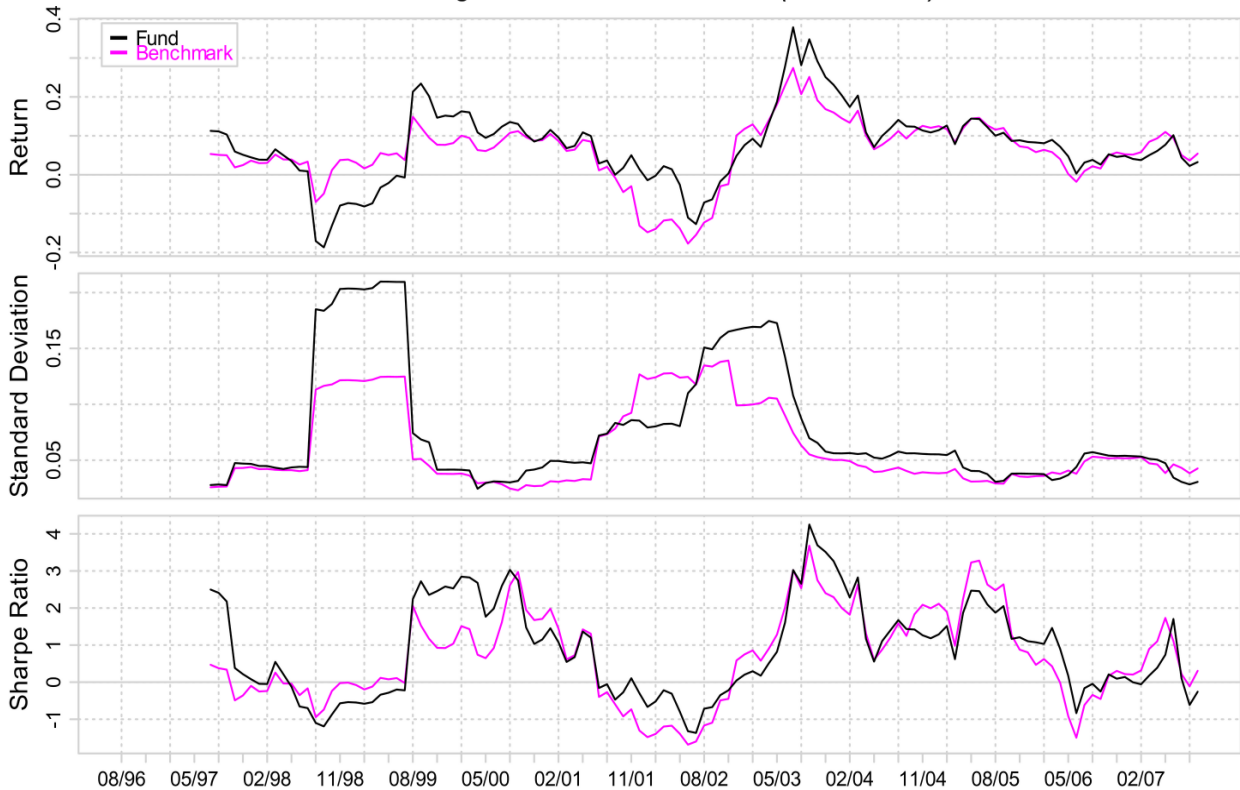
### Fund vs. Benchmark (trailing 36 Months)

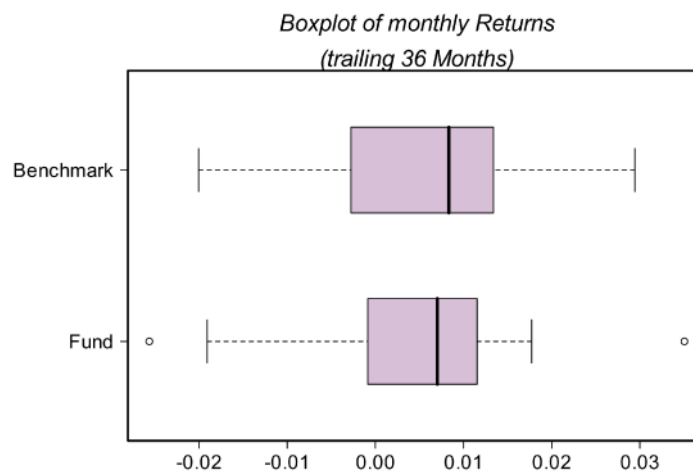
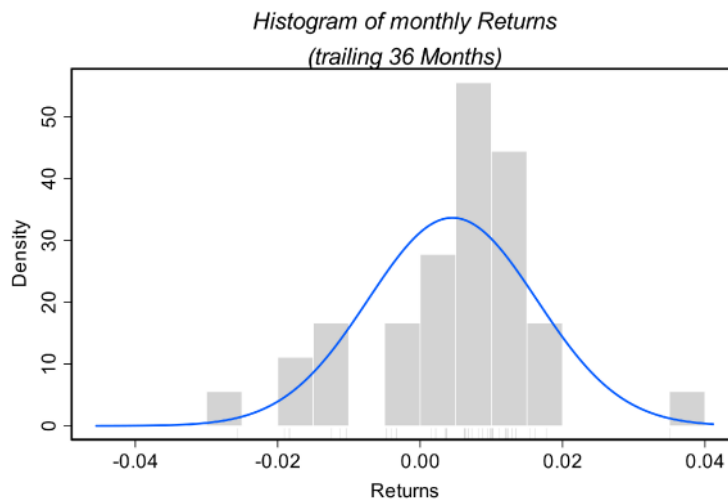
Jensen alpha	0.00
Beta	0.76
R <sup>2</sup>	0.64
Annualized Alpha	0
Correlation	0.8
Tracking Error	0.01
Active Premium	-0.01
Information Ratio	-0.57
Treynor Ratio	0.02

Performance



Rolling 12-Month Performance (annualised)





## Explanations

The **Product Profile** contains general information on the fund, the investment firm, and the responsible fund manager.

The **Investor's Profile** enables the investor to quickly match his or her expectations with the "official" classification of the product by the investment firm.

The **TELOS Comment** section summarises the main insights of the rating and constitutes an important supplement to the rating grade. The subsequent sections contain descriptive information on the investment process, the quality management, and the responsible team.

The **Investment Characteristics** lists – from the point of view of the fund management – the most important external determinants influencing the performance of the fund, as well as the essential factors

employed for its control.

The **Product History** presents – by means of graphs and tables – the development of the fund in comparison with the money market and a benchmark (where appropriate) in respect of performance and risk criteria. All calculations are based on month-end data. Fund data and benchmark data are provided by the investment firm.

The *performance* of the fund is calculated based on reinvested prices: profit distributions are being invested in new shares of the fund immediately. Thereby, the performance of distributing and nondistributing funds is mutually comparable. This approach corresponds to the "BVI method" of performance calculation, advocated by the association of the German investment fund industry. If the fund management is guided by a *benchmark*, the perform-



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ance of the latter is shown as well. Otherwise, a suitable comparative index is chosen for illustration purposes – in agreement with the investment firm.

The *Sharpe Ratio* provides information about the “excess return” of the fund with regard to a risk free financial investment – here represented by the money market – as a proportion of the total risk taken. The risk free rate used in this report is 4%, and the *volatility* is the annualised standard deviation of the monthly returns.

The *median of monthly results* is characterised by the fact that half of all monthly returns occurring in the observed period are either at least or at most as large as this value. As a result, this measure is less sensitive to “outlier results” than, for instance, the mean (average) value of monthly returns. In an analogous way, the *median of 12-month results* should be interpreted. The *longest loss period* is the number of months needed by the fund in order to recover losses by reaching or exceeding a level that had been achieved previously in the period under consideration. If this level could not be reached again, the end of the period is used. Accordingly, the *maximum loss amount* is the largest loss which the fund suffered in the period under consideration – starting from the highest value reached earlier during this period.

*Jensen Alpha* measures the beta-risk-adjusted (cf. beta) outperformance of the fund versus the benchmark and is calculated using monthly returns. A pos-

itive value indicates the generation of added-value by the fund's management.

*Beta* is a measure of the fund's market risk exposure. A Beta larger (smaller) than one indicates that the fund will be more (less) volatile than the benchmark.

$R^2$  is the square of the correlation coefficient (cf. correlation). It is the measure of the quality of a linear fit on the fund's vs. the market's returns. It ranges between 0 (bad fit) and 1 (good fit).

*Correlation* is a measure of how the fund and the market move in relation to each other. Correlation ranges between -1 and +1. The extreme values i.e. -1/+1 indicate that the fund and the market always move in lockstep, for -1 in opposite directions, for +1 in the same direction. 0 indicates there is no clear relationship.

The *tracking error* is the standard deviation of differences between fund and benchmark returns. The lower the tracking error, the more closely the portfolio follows the index.

*Active Premium* or excess return measures the Out/Underperformance of a fund vs. its benchmark.

The *Information Ratio* is the active Premium divided by the tracking error. The higher the information ratio, the higher the active premium of the fund, given the same level of risk.

The *Treynor Ratio* is the active premium divided by beta. The Treynor ratio is a beta-risk-adjusted measure of excess return.

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## Contact

TELOS GmbH  
Abraham-Lincoln-Straße 7  
D-65189 Wiesbaden  
[www.telos-rating.de](http://www.telos-rating.de)

Telephone : +49-611-9742-100  
Fax : +49-611-9742-200  
E-Mail: [tfr@telos-rating.de](mailto:tfr@telos-rating.de)